

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION PURSUANT TO 1994 HOUSE)
BILL NO. 501 FOR THE APPROVAL OF THE KENTUCKY)
POWER COMPANY ("KPCO") COLLABORATIVE)
DEMAND-SIDE MANAGEMENT PROGRAMS, AND FOR)
AUTHORITY FOR KPCO TO IMPLEMENT A TARIFF TO) CASE NO. 95-427
RECOVER COSTS, NET LOST REVENUES AND)
RECEIVE INCENTIVES ASSOCIATED WITH THE)
IMPLEMENTATION OF THE KPCO COLLABORATIVE)
DEMAND-SIDE MANAGEMENT PROGRAMS)

O R D E R

On February 13, 1998, American Electric Power Company ("AEP") filed, on behalf of its Demand-Side Management Collaborative, a status report of its approved Demand-Side Management ("DSM") Plan, individual evaluation reports for each DSM program, and a revised Experimental Demand-Side Management Adjustment Tariff which increases the DSM adjustment clause factors for each customer class.

The status and evaluation reports describe, among other things, the monthly progress of individual DSM programs during calendar year 1997, year-to-date and program-to-date costs of each program through December 1997, AEP's comments on the activity level, number of participants, and cost projections agreed upon by the Collaborative for calendar year 1998. The filing did not include proposals for any new DSM programs or modifications to the programs already in place.

The revised tariff increases the DSM Adjustment Clause factor (\$ per kWh) for each customer class. The Residential factor is increased from \$0.000085 to \$0.000387; the Commercial factor is increased from \$(0.000203) to \$0.000403; and the Industrial factor is increased from \$(0.000488) to \$0.000125. These increases result from the

under-collection of program costs and lost revenues during the first two years of the three-year pilot program and projected under-collections for calendar year 1998 based upon expected expenditures for the final year of the pilot.

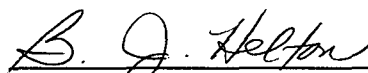
Based on a thorough review of the status and evaluation reports and the detailed schedules describing the calculation of the revised DSM factors, the Commission finds that AEP's request is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. AEP's continuing DSM programs and revised Experimental Demand-Side Management Adjustment Tariff are approved.
2. The effective date of the revised tariff shall be March 31, 1998.
3. Within 10 days from the date of this Order, AEP shall file a revised Experimental Demand-Side Management Adjustment Tariff which shows the date of issue and that it was issued by authority of this Order of the Commission.

Done at Frankfort, Kentucky, this 30th day of March, 1998.

PUBLIC SERVICE COMMISSION



Chairman

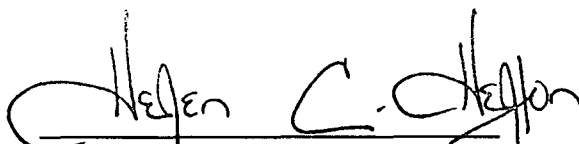


Vice Chairman



Commissioner

ATTEST:


Executive Director